

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CEA-01 CIAE-00 COME-00  
EB-08 FRB-01 INR-07 NSAE-00 SP-02 STR-06 TRSE-00  
LAB-04 SIL-01 OMB-01 USIA-15 PA-02 PRS-01 /081 W  
-----055827 191137Z /20

R 191028Z JAN 78  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 4933  
USDA/FAS WASHDC  
INFO AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LONDON  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
USMISSION GENEVA

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USEEC ALSO FOR EMBASSY, USMTN

E.O. 11652: N/A  
TAGS: EAGR, GW  
SUBJECT: FARMERS UNION COMMENTS ON EC PROPOSALS

1. AT A PRESS CONFERENCE IN BONN, GERMAN FARMERS'  
UNION (DBV) PRESIDENT, CONSTANTIN FREIHERR VON HEEREMAN,  
STATED THAT THE DBV WILL NOT ACCEPT THE EC PRICE  
PROPOSALS FOR 1978/79. HE EXPRESSED THE VIEW THAT THE  
PROPOSALS WOULD MEAN A PRICE FREEZE FOR PRODUCTS NOW  
COVERED BY THE CAP. THE DBV IS DEMANDING A PRICE  
INCREASE EQUIVALENT TO THE AVERAGE FRG INFLATION RATE  
OF FOUR PERCENT, WHICH THEY SAY WOULD ALSO AGREE WITH  
THE SO-CALLED OBJECTIVE METHOD ON WHICH THE  
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COMMISSION SO FAR HAD BASED ITS PRICE DETERMINATIONS.  
HEEREMAN BELIEVES THAT THE COMMISSION'S PRICE PROPOSALS  
ARE CLEARLY ILLOGICAL CONSIDERING THE COST INFLATION  
AND DEMANDS OF GERMAN AGRICULTURE. HE STATED THAT IF  
NOTHING IS DONE IN BRUSSELS, THE FRG SHOULD DECIDE ON  
NATIONAL COMPENSATION PROGRAMS, E.G. TAX REDUCTIONS AS  
WELL AS STRUCTURAL AND SOCIAL AIDS. IN PRINCIPLE,

HEEREMAN SAID, SUCH DEVELOPMENTS ARE NOT, HOWEVER, DESIRABLE BECAUSE THEY WOULD RESULT IN FURTHER DISTORTION OF COMPETITION. IF BRUSSELS SHOULD REMAIN FIRM IN ITS ATTITUDE, HEEREMAN INDICATED THAT HIS ASSOCIATION MIGHT PUT OUT FEELERS TO SEE WHAT ACTION MIGHT BE POSSIBLE. IN ANY EVENT, THE DBV WANTS TO DISCUSS THE PRICE QUESTION WITH THE FRG AND EC REPRESENTATIVES.

2. THE FIRST CHANCE FOR SUCH A DISCUSSION WOULD BE AT THE BERLIN GREEN WEEK WHERE HEEREMAN INDICATED IN PAST YEARS SIMILAR DISCUSSIONS HAD TAKEN PLACE WITH MEMBERS OF THE COMMISSION. THE DBV WILL PUT FORWARD THREE MAJOR ARGUMENTS. IN ADDITION TO REMINDING THE COMMISSION TO BE OBJECTIVE, IT WILL EXPLAIN THAT DURING 1972-1976 FARM INCOME INCREASED LESS THAN IN OTHER SECTORS OF THE ECONOMY. THEREFORE, THE AGRICULTURAL SECTOR SHOULD NOT BE TREATED AS IF IT HAD NOT BEEN AFFECTED BY THE GENERAL ECONOMIC SITUATION. FINALLY, THE DBV WILL EXPLAIN TO THE COMMISSION THAT GERMAN AGRICULTURE IS ALWAYS READY TO COOPERATE IN RESOLVING PROBLEMS ON AGRICULTURAL MARKETS. IT IS UNREASONABLE, HEEREMAN SAID, FOR ONE TO SIGHT INDIVIDUAL PROBLEMS AS A PRETENSE TO QUESTION THE WHOLE SYSTEM. IN GENERAL, HE SAID THE SYSTEM (CAP) HAS WORKED.

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3. THE DBV PRESIDENT SHARPLY CRITICIZED SOME OF THE MEMBER STATES. HE REFERRED TO THE QUOTE REFINED MANNER OF THE BRITISH UNQUOTE WHO WERE ORIGINALLY AGAINST THE COMMUNITY BUT DIPPED DAILY INTO THE EC FUNDS. THAT'S WHY BRITISH MINISTER OF AGRICULTURE SILKIN, HE SAID, WAS THE ONLY ONE ADVOCATING NO PRICE INCREASES AT ALL IN THE AGRICULTURAL SECTOR.

4. HEEREMAN APPEALED TO THE NATIONAL GOVERNMENTS TO QUOTE ACT UNIFORMLY UNQUOTE AND NOT, LIKE THE BRITISH AND FRENCH, WHO ALWAYS LOOK AT THE BALANCE OF TRADE AND THEREFORE CONTINUE TO BOOST AGRICULTURAL PRODUCTION. THE FUTURE OF THE CAP, HE SAID, DEPENDS ON THE CONTINUATION OF THE MONETARY COMPENSATION SYSTEM. MOVING AWAY FROM COMMON PRICES HE SAID WOULD BE THE LAST WAY OUT, BUT WOULD BE NO SOLUTION.

5. EARLIER THIS MONTH, HEEREMAN ALSO CRITICIZED THE EC PRICE PROPOSALS AT A REGIONAL FARMERS' UNION CONVENTION AT KAISERSLAUTERN. IN THIS CONNECTION, HE POINTED TO CONTRADICTIONS IN THE ARGUMENTATION BY THE COMMISSION. HE SAID, IN THE PAST,

THE COMMISSION HAD BASED ITS PROPOSALS ON INFLATED  
FARM PRICES. AGRICULTURAL PRICES IN THE COMMUNITY  
BETWEEN 1967/68 AND 1977/78 FELL ELEVEN PERCENT IN

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REAL TERMS. FURTHERMORE, HEEREMAN EMPHASIZED THAT  
THE COMMISSION HAD NOT BEEN CONVINCING IN ARGUING  
THAT MONETARY COMPENSATIONS SHOULD BE REDUCED AND  
FINALLY ELIMINATED. ON THE OTHER HAND, THE COMMISSION  
HAS COMPLAINED ABOUT DIFFICULTIES CAUSED BY  
EXCHANGE RATE ADJUSTMENTS BETWEEN THE EC COUNTRIES.  
SUCH CONTRADICTIONS, HEEREMAN SAID, LEFT GERMAN  
FARMERS VERY WARY OF COMMISSION PROPOSALS.

6. HEEREMAN ALSO REFERRED TO PROJECTIONS BY GERMAN  
RESEARCHERS PREDICTING THAT GERMAN AGRICULTURE IS  
FACING A LONG PERIOD OF SHARP COMPETITION AND  
STAGNATING INCOME. THE PROGNOSIS CONCERNING

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INTENSE COMPETITION, ACCORDING TO HEEREMAN, IS  
LARGELY BASED ON THE SURPLUS SITUATION ON WORLD  
MARKET FOR THE MAJOR AGRICULTURAL PRODUCTS. THUS,  
THE MARKETING OF AGRICULTURAL PRODUCTS WILL BECOME  
MORE DIFFICULT, SINCE NOT ALL PRODUCTS ARE PROTECTED  
BY EC MARKET REGULATIONS. AS TO THE FARM INCOME  
STAGNATION, HEEREMAN SAID THAT RETURNS TO FARMERS  
HAD BEEN AFFECTED BY THE QUOTE MISERABLE UNQUOTE  
EMPLOYMENT SITUATION.

COMMENT: MINAG OFFICIALS DO NOT AGREE WITH THE DBV  
ON THE PLIGHT OF THE GERMAN FARMERS. THEY CLAIM  
THE DBV IS USING NON-REPRESENTATIVE COST-PRICE DATA  
IN CALCULATING FARM INCOME LOSSES. THE GENERAL  
CONSENSUS IS THAT THE MINAG WILL LIKELY SUPPORT THE  
EC COMMISSION PRICE PROPOSALS FOR LESS THAN A ONE  
PERCENT AVERAGE INCREASE IN FRG AGRICULTURAL PRICES.  
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## Message Attributes

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